



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

File #: 23-333

Version: 1

Date: 8/28/2023

Item #: 3.3b.

TO: Mayor and City Council

THROUGH: Keith Stahley, City Manager

FROM: Kristin Rutherford, Community and Urban Development Director

SUBJECT:

Purchase and Sale Agreement and lease assumption with West One Automotive Group, Inc. for personal property located at 2780-2790 25th Street SE, located at the Salem Municipal Airport.

Ward(s): 2

Councilor(s): Nishioka

Neighborhood(s): SEMCA

Result Area(s): Good Governance; Strong and Diverse Economy; Welcoming and Livable Community

SUMMARY:

West One Automotive Group, Inc. (Shirley Anderson, President and Dave Brown, Secretary) (Seller) listed the personal property (buildings, parking lot, site improvements, etc.) (collectively the "Improvements") it owns via a ground lease at the Salem Municipal Airport for sale. At City Council direction, staff submitted an offer to purchase the property and staff and Seller have come to terms on a Purchase and Sale Agreement (Agreement) to acquire the Improvements and assume and modify the existing ground lease (Lease) with Carpenter Commercial Properties L.L.C. (Carpenter Management Services, Inc., Manager, Virginia L. Carpenter, President) (Lessor).

ISSUE:

Shall City Council authorize the City Manager to execute the attached Agreement and assume/modify the Lease?

RECOMMENDATION:

Authorize the City Manager to execute the attached Agreement and assume/modify the Lease.

FACTS AND FINDINGS:

Staff and Seller have come to terms on a proposed Agreement (Attachment 1), the key terms of which are shown below. Additionally, Staff and Lessor will finalize a Lease amendment substantially similar in form to the proposed amendment (Amendment) (Attachment 2), the key terms of which are also shown below.

AGREEMENT

Purchase Price: \$1,400,000

Closing Costs/
Prepaid Taxes: \$31,000

Earnest Money: \$25,000

Closing: 30 days from Effective Date of Agreement

Property/Site: Fee acquisition of two buildings (8,250 and 3,540 square feet), a ~250 space parking area, and related site improvements.

Lease/Amendment: The Lease from Lessor is subject to a master lease (Master Lease) between the City of Salem and Lessor. At the time of Lease expiration, title to the Improvements will remain with the City of Salem and Lessor's interest in the Master Lease will be extinguished, leaving the City of Salem with full ownership interest in the land and Improvements.

Assumption of Lease consisting of 153,810 square feet. Expiration date of the Lease is June 30, 2039, but also has two ten-year extension options with a potential expiration date of June 30, 2059. Annual Lease Rate is \$123,217.09; however, \$97,879.09 of the Annual Lease Rate will be returned to the City via the Master Lease. Additionally, roughly one-quarter of the Annual Lease Rate is subject to annual increases of 3% or the annual increase in the Consumer Price Index, whichever is less.

BACKGROUND:

With the upcoming commencement of commercial air service at Salem Municipal Airport, additional parking space is required to meet the forecasted demand. Acquisition of the Improvements will immediately provide adequate parking at the Airport.

Funding for this acquisition will come from an inter-fund loan from the City's Utility Fund. The loan will be repaid over a 10-year period with an annual estimated payment of \$210,610 (adjusted annually for investment returns).

Clint Dameron

Real Property Services Manager

Attachments:

1. Agreement
2. Exhibit B to Agreement
3. Exhibit C to Agreement
4. Exhibit D to Agreement
5. Amendment